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SUBJECT: INDUSTRY ASSOCIATION CHAIRMAN TED HUANG ON PRC,
JAPAN AND TAIWAN'S FUTURE

Classified By: AIT Director Stephen M. Young, Reason 1.4 d

¶1. (C) Summary: Chinese National Association of Industry and Commerce Chairman Ted Huang told AIT Director Stephen Young during an April 7 meeting that Taiwan businessmen believe the Taiwan government's cross-Straits policies are too restrictive. However, Huang supports efforts to diversify Taiwan's investments to other countries, especially Southeast Asia. He observed that Japan's investment in the PRC has given Beijing leverage against Tokyo. He remarked that Taiwan is not very competitive as a regional hub for East Asia. Huang also commented that if the PRC becomes more like Taiwan, reunification is possible in as little as 20 years. Director Young told Huang that the U.S. has committed to helping preserve Taiwan's ability to decide its own future and expressed confidence that Taiwan will develop new strategies to help it continue to prosper. End summary.

¶2. (U) AIT Director Stephen Young met with Chinese National Association of Industry and Commerce (CNAIC) Chairman Ted Huang (Mao-hsiung) on April 7 to discuss the challenges facing Taiwan firms and Taiwan's economic prospects. CNAIC is one of Taiwan's largest business associations with members from a wide range of industries. Huang is also chairman of TECO Group, which started business as a manufacturer of industrial motors but has since diversified into home appliances, commercial air conditioning, construction, telecommunications, IT systems, flat panel displays, electronics components, and restaurants.

More Opening with PRC and Diversification of Investment

¶3. (C) Huang told Director Young that most businessmen are more sympathetic to the pan-Blue camp and believe that the government's cross-Straits policies are too restrictive. Although Taiwan firms have ignored restrictions on PRC investment in the past, Huang argued that this approach was becoming too risky. He said it makes Taiwan firms more vulnerable to pressure from the PRC and noted that the Taiwan government has recently cracked down, citing the example of the United Microelectronics Corp. (UMC) case.

¶4. (C) Huang supports efforts to encourage Taiwan firms to diversify their foreign investment to other countries. He

explained TECO's efforts to develop an industrial park at the site of the former U.S. naval base in Subic Bay, the Philippines. He said the project had been successful initially but had later suffered from electricity shortages and problems with labor unions. Huang added that TECO is also building a plant in Vietnam and finds conditions there very promising. However, he believes that the investment environment in India is not as favorable for Taiwan businesses.

PRC Pushing Japan toward the U.S.

15. (C) Huang pointed out that Beijing has used Japan's investment in the PRC as leverage against Tokyo. He described how PRC President Hu Jintao had urged Japanese businessmen to find a resolution to the Yasukuni Shrine problem. AIT Director Young noted that the PRC's manipulation of historical issues was not effective and had only served to make Japan angrier. Huang agreed that the PRC's attempts to "play tough" with Japan's Prime Minister Junichiro Koizumi had been totally unsuccessful. He speculated that Japan would move closer to the United States as a result.

Taiwan Not Competitive as East Asia Hub

16. (C) Huang was pessimistic on the prospects for the Taiwan government's efforts to promote the island as a regional hub in East Asia. He observed that Taiwan can't compete with the PRC's large and growing harbors. Huang also remarked that Taiwan could not compete with Hong Kong as a financial center, noting that the scale of Taiwan's

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financial market is too small and that government regulations are too tight. He argued that even Tokyo can't compete with Hong Kong as a financial center.

Taiwan Needs 20 Years of Peaceful Coexistence

17. (C) Huang said that he had had the opportunity to get to know KMT Chairman Ma Ying-jeou during a recent trip to Europe and that he agrees with Ma's vision for Taiwan's future. Huang argued that Taiwan needs to maintain the status quo with the PRC, but not necessarily for very long. According to Huang, 20 years should be enough time for Taiwan to survive and consolidate a role as a world player. If the PRC can transform itself in that time and become more like Taiwan, then Huang believes reunification is possible. If not, he believes that Taiwan will have to go its own way. However, Huang also commented that the PRC was naive if it believed that all cross-Straits problems would go away if the KMT wins Taiwan's presidential election in 2008.

18. (C) Huang asked Director Young what the United States would do in the event of a cross-Straits conflict. The Director explained that under the Taiwan Relations Act the United States has a long-term commitment to helping preserve Taiwan's ability to control its own fate. However, the United States needs an active relationship with the PRC and wants it to become a responsible stakeholder in the international community. He praised Taiwan's history of success in business and in building democracy. He expressed confidence that Taiwan's talented people would continue to develop new strategies that would help it prosper in the future.

YOUNG